



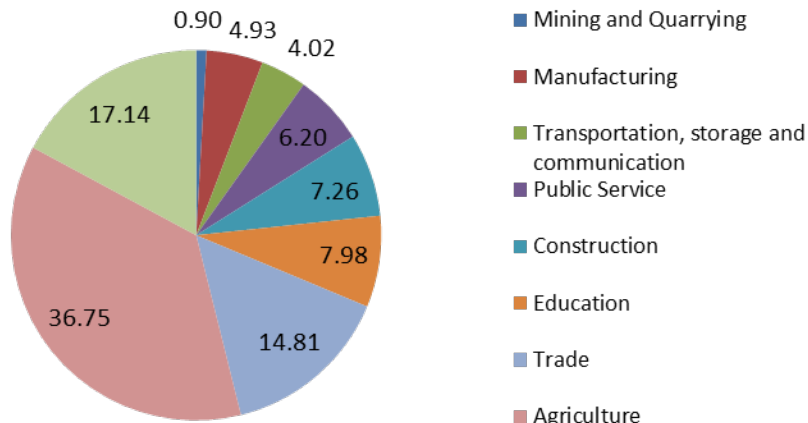
Azerbaijan Agriculture: The World Bank program to enhance the sector competitiveness

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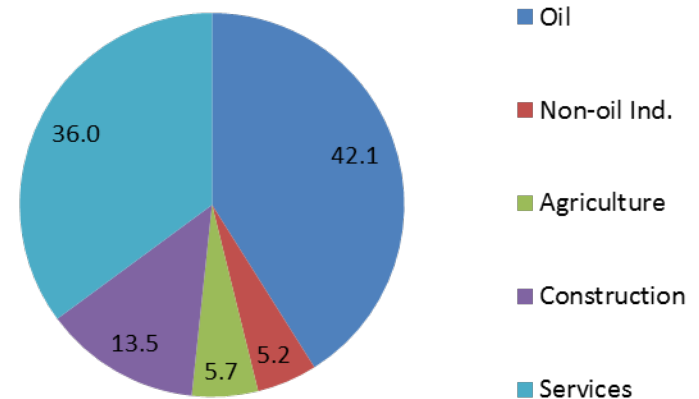
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Agricultural Sector Performance

Employment composition, 2014, % of total



GDP composition, 2014, % of total



Agriculture moderate contributor to GDP (4.9 % in 2013, 5.7% in 2014) but important contributor to employment, 38% of population is employed in agriculture



Challenges to Improving Agricultural Productivity and Competitiveness

- Farmers unable to access markets, undeveloped value chains, weak linkages between producers and processors
(No contracting arrangements between producers and processors)
- Poorly functioning irrigation and drainage systems *(50% of I&D infrastructure deteriorated, high water losses, inefficient water distribution, 275,000 ha is effected by salinization; 85 percent of the ag output depends on irrigation)*
- Limited access to finance *(Lending to agriculture represents only a small part of the total loan portfolio of commercial banks, 85% of the loan portfolio is concentrated in Baku)*
- Low level of agricultural services (extension, veterinary)
- Weak agricultural research
- Food safety, SPS and quality issues *(food safety system fragmented, 6 agencies have overlapping and redundant control functions)*



Agricultural Competitiveness Improvement Project (ACIP)

Overall Project Development Objective is to facilitate the access of agricultural producers to markets through:

- Promoting the development of the selected value chains through a series of activities targeted at key constraints in functioning of marketing chains of agricultural commodities
- Improving access of agribusiness/food processing to finance (line of credit)
- Upgrading and modernizing the veterinary and phytosanitary services and implementing food safety capacity building program
- Promoting seed sector growth

Three main components:

- Component A: Support for Sanitary and Phytosanitary Services
- Component B: Agribusiness Value Chain Development
- Component C: Access to Finance

Component A: Support for Sanitary and Phytosanitary Services

Issues

- Import substitution and export opportunities exist but producers restricted from market access because of inability to meet quality standards
- Food quality and safety system is inadequate, responsibilities are distributed among 6 ministries/agencies in a fragmented manner
- Limited capacity of the Phytosanitary and Veterinary Services, disease surveillance functions need to be strengthened

Project Activities

- Capacity building program for public sector staff (food safety inspectors, regulators and managers in the Government system) and private sector on compliance with food safety
- Strengthen Veterinary Services and Support to Animal Disease Control Program through (i) *expanding the private veterinary support program;* (ii) *Scaling up animal disease control program and developing surveillance program;* (iii) *development of strategy for establishing Animal Identification and Registration System and Upgrading National Veterinary Information System*
- Improve Quality of Veterinary education (upgrading teaching lab at vet faculty of Ganja AU, development of curriculum, training)
- Upgrade the State Phytosanitary and Control Services (capacity building and upgrading labs)

Component B: Agribusiness Value Chain Development

Issues

- Inability to produce high value added and quality products due to outdated processing technologies, lack of improved seeds and weak linkages between producers and processors
- Undeveloped value chains, limited access of producers to markets

Project Activities

- Establish productive partnerships along the selected commodity value chains and promote adoption of improved production and processing technologies, infrastructure and food safety compliance
- Promote seed sector development, including support to seed research, variety development, seed inspection services and private seed growers

Component 3: Access to Finance

Issues

- Demand for agricultural finances not sufficiently met - lending to agriculture represent very small part of the Agricultural GDP, which is one of the lowest in the region
- Access to long-term investments remains limited

Project Activities

- Long-term financing for agro-processors and other agribusiness through qualified banks, which will support the investment needs of the agribusinesses
- Introduction of new financial products in lending to agriculture (*such as seasonal loans to allow pre-financing of agricultural production in contractual farming schemes, financing of marketing contracts*)

Outcomes of the Bank and Government funded agricultural operations

Irrigation Sector

- Rehabilitation of upper 50 km of Samur-Absheron canal, completion of Mill Mugan drainage collector
- Rehabilitation of on-farm irrigation schemes in 120,000 ha, water supply improved by 40% in rehabilitated WUAs, increase of 23% in yields, return to the actual irrigation of 6,300 ha
- Institutional strengthening of Water Users Associations (WUA)

Agricultural Support Services/Institutional Development

- Strengthened capacity of the SVS (Vet Lab equipped, pilot brucellosis program implemented)
- Access to quality –assured vet services – 55 private vet units (160 private vets) established
- Research institute for crop husbandry re-organized (research program consolidated, improved skills and quality of research)
- Private rural extension services model implemented on a pilot basis

Rural Finance

- Expanded investment in rural areas. 52,000 small loans in the amount of AZN 80 million were issued to 24,000 farmers
- Improved access to long-term investment recourses; 119 investment loans (US\$18 million) issued to medium agribusinesses; 1300 new jobs created
- Improved skills of participating banks in agricultural lending